

Managed Risk Medical Insurance Board
March 23, 2005

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Richard Figueroa, Virginia Gotlieb, M.P.H.

Ex Officio Members Present: Jack Campana

Staff Present: Lesley Cummings, Denise Arend, Laura Rosenthal, Vallita Lewis, Janette Lopez, Tom Williams, Jeanne Brode, Larry Lucero, Alba Quiroz-Garcia, Ernesto Sanchez, Carolyn Tagupa, Mary Anne Terranova, JoAnne French

Chairman Allenby called the meeting to order and recessed it for executive session. At the conclusion of executive session, the meeting was reconvened.

Note: Some agenda items requiring action by the Board were presented out of sequence.

Dr. Crowell asked for a moment before starting the agenda, and introduced Lucien Wulsin, Project Director of Insure the Uninsured Project (ITUP). Mr. Wulsin presented Chairman Allenby with what he described as a long overdue award for all the extraordinary achievements Chairman Allenby has accomplished on behalf of the uninsured, particularly with coverage of uninsured pregnant women, reducing the uninsured rate from 30% to 4%, implementation of several programs for the uninsured (Healthy Families Program, Access for Infants and Mothers, Major Risk Medical Insurance Program, and the Health Insurance Plan of California), financing for non-profit and county hospitals, and, most notably, authorship of the Allenby/Geoghan (AB 350) report. Mr. Wulsin said he knows no one who has done more in the past 30 years, and he has no doubt Chairman Allenby would have made a success of SB 2 if it had passed.

REVIEW AND APPROVAL OF MINUTES OF MARCH 2, 2005, MEETING

A motion was made and unanimously passed to approve the minutes of the March 2, 2005, meeting.

LEGISLATIVE UPDATE

State Bill Summary

Jeanne Brode reviewed bills staff is tracking which directly impact MRMIB. An analysis of three bills follows. Chairman Allenby asked if there were any questions or comments; there were none.

AB 1396 (Garcia)

Ms. Brode reviewed staff's analysis of AB 1396, urgency legislation to restore the application assistance program for HFP and Medi-Cal effective April 1, 2005. The bill would ensure a higher rate of completed applications, thus a higher number of enrolled children. Staff recommends MRMIB's support of this bill. Dr. Crowell was glad to see this bill is being treated as urgent—the need is very urgent. Chairman Allenby asked if there were any questions or further comments; there were none.

SB 38 (Alquist)

Ms. Brode reviewed staff's analysis of AB 38, which would raise the income eligibility limit for HFP applicants from 250% to 300% of the federal poverty level (FPL).

Dr. Crowell asked about a federal freeze on SCHIP funding. Ms. Cummings replied that the President's budget calls for keeping funds at the 2005 level. Dr. Crowell suggested that children advocates give this attention, expressing concern that the issue is receiving inadequate attention nationally. Chairman Allenby noted that a big issue for the Administration, and for MRMIB, is the federal government's indication it will not provide the funding needed for hospitals.

Ms. Gotlieb asked about the status of legislation at the federal level regarding unallocated and retained SCHIP funds. Ms. Cummings replied that the President's budget also calls for re-authorizing SCHIP funding at the 2005 level. Legislation that was introduced in the last session of Congress to extend funding has not been adopted. Generally, the funding level for SCHIP is no longer adequate to fund existing state programs. Chairman Allenby asked if there were any further questions or comments; there were none.

SB 377 (Ortiz)

Ms. Brode reviewed staff's analysis of AB 377, which would raise the income eligibility limit for HFP applicants to 275% of the FPL. Chairman Allenby asked if there were any questions or comments; there were none.

STATE BUDGET UPDATE

An excerpt from the Health and Human Services portion of the Legislative Analyst's Office (LAO) analysis of the 2005-06 budget was provided. Items impacting MRMIB were noted. Chairman Allenby acknowledged staff for the information. He asked for a report on the critical areas and the status of discussions with the LAO. Ms. Cummings replied that the one critical issue concerns the LAO analysis of position increases. The budget restores lost positions, but also calls for an unallocated reduction of \$937,000 (\$328,000 general fund), forcing MRMIB to reduce positions. The LAO recommended disapproving the positions, stating it was unclear which would actually be filled. Ms. Cummings provided a chart showing staff's assessment of which positions will need to remain vacant to meet the unallocated reduction. Ms. Cummings said this information was just now being released and has not yet been discussed with the LAO.

The LAO proposed adding pregnant women to HFP and eliminating AIM. Staff does not agree with the LAO that savings would be realized since the same amount of work would have to be done by both MRMIB staff and the administrative vendor. Initially, staff considered there could be a potential advantage in negotiating rates. Staff has discussed revising the rating methodology with PricewaterhouseCoopers (PwC) and concluded that there would be no particular rate advantage. Ms. Gotlieb asked if there would be any long-term advantages regarding Prop 99 funding. Ms. Cummings replied that the budget presumes AIM would get General Fund support instead of Prop 99 funding to take advantage of federal money.

Mr. Figueroa asked about the Administration's proposal (supported by the LAO) to seek federal SCHIP funding for prenatal services. Ms. Cummings replied that staff is working with the Department of Health Services (DHS) to draft a state plan amendment (SPA) to exercise that option. A draft will be given to the legislative staff by April. The budget assumes this change will occur in the current year, as of July 1, 2004. Mr. Figueroa asked about the position of advocates such as Planned Parenthood. Ms. Cummings replied that they have been meeting with the Administration and have called for enactment of a statute, emphasizing that by applying for the funds, California is not changing existing state law concerning the legal status of a fetus. Mr. Williams added that the LAO raised the issue of using SCHIP funds for post-partum services. Federal guidelines allow states to cover such services if they use a bundled rate.

Dr. Crowell expressed concern about the work load and backlog of appeals despite staff working on weekends. The LAO's analysis does not address this issue. There is an inadequate awareness of the urgent need for full funding for positions. She requested staff see what they could do to enlist the support of the Department of Finance (DOF). Mr. Williams said staff will testify at the legislative hearing that MRMIB's BCP was developed prior to being informed of the unallocated reduction. Staff will request approval of all positions and that positions be allowed to remain vacant beyond the six-month limit without the necessity of a BCP to restore them. Ms. Gotlieb made a plea to everyone in the room to advocate for MRMIB's support budget. She pointed out that staff was very lean before suffering cuts; the work load has caused high turnover which

is crippling the department because functions at MRMIB are specialized; new staff take time and money to get up to speed. Mr. Williams pointed out that in 2001-02 MRMIB's budget was reduced by \$1.5 million (\$800,000 general fund) resulting in the loss of 12.5 positions. To date, there has been a 20% reduction in staff, but programs increased by 80%. Dr. Crowell added that while outreach has been restored, it is not at the same level, so repercussions from loss of outreach will continue.

Ms. Cummings said the LAO suggested MRMIP be budgeted in the same manner as HFP and AIM, and noted the existence of a sizeable reserve. This would be a drastic change. MRMIB's consulting actuary, PricewaterhouseCoopers (PwC) analyzes how many people can be served with the money on hand. MRMIP is not driven by caseload, nor is it an entitlement. The LAO noted that AB 1401 creates uncertainty in projecting MRMIP expenditures but recommends elimination of MRMIP's reserve. Ms. Cummings asked for feedback from the Board on the subject of completely restructuring MRMIP. Ms. Gotlieb expressed concern about the data the LAO relied upon. She pointed out there has been public testimony on how prohibitive the cost is for MRMIP subscribers, which is resulting in a great deal of uninsured people. It is a matter of philosophy: should coverage be available to people who cannot obtain it elsewhere. Ms. Gotlieb expressed concern that making the suggested changes to MRMIP would undermine the premise of the program. Ms. Cummings said the LAO proposal would require a change in statute and a new way of doing business. She added that staff would like to reduce the level of premiums subscribers must pay.

Mr. Figueroa asked when MRMIB will have a better sense of the costs for AB 1401. Ms. Cummings replied that given claim lags, such data will not be available until late in 2006, noting that the LAO is doing a (statutorily required) evaluation of AB 1401 that is due September 2005. Chairman Allenby questioned the accuracy and comprehensiveness of the LAO's analysis absent the AB 1401 data. Mr. Figueroa asked if the services of an actuary would be useful. Ms. Cummings said the actuary would still need the data. She added that Joyce Iseri will conduct a survey of graduates. The results would not be available in time for the LAO, but it would be timely for the legislature's deliberation on whether to continue the graduate program. Chairman Allenby suggested Ms. Cummings ask the LAO if they would be willing to delay their analysis until the needed data could be available.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Chairman Allenby announced that Vallita Lewis has been selected to fill the position of Deputy Director for the Benefits and Quality Monitoring Division.

Chairman Allenby invited dental plan representatives to address the Board on a contracting issue. Tricia Hunter, Government Relations Group, and Dr. David Kutner, American Health Guard, appealed to the Board to reverse staff's decision to deny its participation in HFP. Dr. Kutner enumerated the reasons why American would be a good candidate as a dental plan in HFP and American's complaints with the

procurement process. Chairman Allenby thanked Dr. Kutner for his comments and said the Board would take American's appeal under advisement.

Amir Neshat, CEO of Liberty Dental Plan, also appealed to the Board to reverse staff's decision to deny its participation in HFP. While Liberty found staff cordial to work with, the process was frustrating and they were very disappointed in the outcome. Mr. Neshat pointed out that Liberty has a strong future and is also a PHP. Chairman Allenby thanked Mr. Neshat for speaking and said the Board would also take Liberty's appeal under advisement.

Before the agenda items for HFP were covered, Janette Lopez announced staff changes in the Eligibility Division. Ernesto Sanchez has been promoted to manager of special projects such as AB 495, Healthy Kids, CAA reimbursements, and school-based outreach. Larry Lucero assumed Mr. Sanchez's former duties.

Enrollment and Single Point of Entry Reports (SPE)

Larry Lucero reported there are 726,000 children enrolled in HFP as of March 23. He reviewed the enrollment data for the month of February regarding ethnicity, gender, and the top five counties in enrollment, and the SPE statistics, including the percentage of applications processed with and without assistance.

Administrative Vendor Performance Report

Larry Lucero presented the administrative vendor (AV) performance reports for HFP and SPE. MAXIMUS is the AV for these programs. The report lists the performance measures contained in the contract between MRMIB and MAXIMUS, and MAXIMUS' performance in each category. For the month of February 2005 MAXIMUS met all seven performance standards for HFP and all four performance standards for SPE.

Universal Coverage for Children Proposal

Catherine Teare, Policy Director at Children Now and 100% Campaign, and Fernando Sibrán with PICO discussed their proposal to cover the remaining 10% of uninsured children by expanding on existing programs. PICO is a statewide, community-based faith organization. Over 200 organizations have signed onto the movement. Results from a poll conducted by The California Endowment showed voters are in strong support of insuring all children despite the associated costs. The coalition is sponsoring legislation (SB 437 (Escutia) and AB 772 (Chan)) in alignment of its goals, and looks forward to working with MRMIB in this regard. Chairman Allenby asked for their assistance on the federal level concerning SCHIP funding. Ms. Teare said 100% Campaign views federal funding as essential to the movement's goals; therefore, it will be actively supporting both SCHIP and Medicaid. Chairman Allenby said the Board could be counted on to work with the groups in furthering these common goals.

DHS Report on Bridge Performance Standards, SPE Proposal, and Revision of Medi-Cal/HFP Application

Ms. Cummings introduced Rene Mollow, Associate Director of Health Policy at the Department of Health Services, whom staff invited to respond to a request made by the Board in a prior meeting for more information on certain Medi-Cal initiatives.

Ms. Mollow said the bridge performance standards are a component of the Medi-Cal redesign. Counties have performance standards they have to meet with annual redeterminations. Similar requirements for the bridge will be drafted in trailer bill language. Ms. Mollow described the process for forwarding applications submitted with and without parental consent. A contractor will be used to ensure compliance with performance measures. Counties would be subject to a corrective action plan and penalties. DHS hopes the improvement in compliance will increase HFP enrollment by 30,000 children.

Chairman Allenby asked about the counties' reaction. Ms. Mollow replied that counties have concerns. DHS is setting up meetings with them. Mr. Figueroa asked where the 30,000 children are. Ms. Mollow replied that they are in Medi-Cal with a share of cost. Dr. Crowell asked if the application form includes a place for parental consent. She expressed concern that parental consent would not be obtained within five days. Ms. Mollow said DHS is proposing that a section for parental consent be added. Dr. Crowell urged that any changes to the application be with a goal of making is simpler.

Another part of Medi-Cal redesign is the proposal that Medi-Cal applications submitted through the SPE be completed there instead of being transferred to the county. This will keep applications in one central location and decrease duplication of effort, allowing the family to apply with only one contact. The administrative vendor would work up the application, which would then be reviewed by state staff. DHS is looking at contract amendments to implement this proposal. Dr. Crowell strongly supported the proposal, citing the biggest complaint in HFP is that applications get bounced around. Ms. Gotlieb asked what percent of Medi-Cal applications go to SPE. Ms. Mollow said about 120,000 applications—7%. Chairman Allenby was also pleased with the SPE proposal, noting that it would test to see if SPE makes sense.

Ms. Mollow said DHS is also working with MRMIB staff on revisions to the joint application. This is the first time in five years that changes will be made. Stakeholder meetings will be held. Ms. Mollow referred to the work plan, indicating that the goal is to distribute the new applications by September 2005, depending on budget authority. The Board was very pleased.

Chairman Allenby asked if there were any questions or comments.

Cherie Fields, CEO of Local Health Plans of California (LHPC), addressed the Board concerning SB 38. She said LHPC is the sponsor of SB 38. LHPC is requesting formal support from the Board in order to have MRMIB staff attend hearings. LHPC has been

working with PICO and the 100% Campaign on this bill. Chairman Allenby said the Board is not ready at this time to provide direct support for the bill, but directed staff to provide LHPC technical assistance to the extent that it can.

Rural Health Demonstration Project – Award of Projects and Approval of Contract Amendments 2005-07

Alba Quiroz-Garcia gave a summary of the process staff followed for receiving and evaluating Rural Health Demonstration Project (RHDP) proposals slated to run from July 1, 2005, to June 30, 2007. Proposals were solicited from all plans participating in the HFP. Staff provided a chart showing its recommendations for 36 proposals and the recommended funding for each proposal for FY 2005-06 and FY 2006-07. A motion was made and unanimously passed to approve staff's recommendations as presented.

Advisory Panel Summary

Jack Campana, Chair of the HFP Advisory Panel (the "Panel"), summarized the minutes from the Panel's meeting on February 22, 2005. The Panel is very pleased with the Governor's support of MRMIB's budget and Secretary Kim Belshé's demonstrated commitment to its mission. While the Panel is pleased to see an increase in enrollment in HFP, it is still concerned that no child be left behind and continuing issues be resolved, such as incomplete applications, delays in enrollment, and the backlog of appeals. The Panel specifically asked staff to address the difficulty families face in being shuffled back and forth between the counties and the state. The Panel passed a motion to draft a letter to the state's fiscal committee in support of the need for additional staff.

The Panel appreciates that Michael Lemberg from Maximus attends its meetings, and noted that Maximus has been open and responsive to constructive criticism. Maximus has made notable improvements to enhance their staff's effectiveness and conduct community outreach. Issues remain which staff is trying to address. The Panel is particularly concerned about the appeal process and the backlog.

Outreach Work Group

Janette Lopez said the Outreach Work Group (the "Group") meeting was short due to limited attendance. Some of the Panel members and representatives from the California Teachers Association (CTA) attended the meeting. CTA gave an update on the Teachers for Healthy Kids outreach efforts. The Group discussed upcoming workshops and the status of legislation to restore certified application assistants (CAAs).

AB 495 Update

Ernesto Sanchez and Mary Anne Terranova gave an update on AB 495, the legislation enacted to allow counties to draw federal funds to provide health insurance to low

income families. Now that MRMIB has received staff to work on AB 495 implementation, staff has resumed conference calls with the four counties approved by the federal government to-date in order to assist them in implementing their programs. Staff is reviewing a draft contract that will allow them to draw down FFP. Staff is also working with two additional counties that want to apply.

Ten other counties have indicated their interest. Chairman Allenby asked why all counties would not be interested in taking advantage of the opportunity for this funding. Ms. Cummings replied that the reluctance is due to the challenges of dealing with federal rules. It may not be cost-effective for a county to pursue funding if the volume of children being served at the relevant income level (250-300% FPL) does not warrant the expense. Chairman Allenby asked if there were any questions or comments; there were none.

2004 Federal Annual Report

Carolyn Tagupa reviewed the 2004 Federal Annual Report (the "Report") MRMIB is required by Title XXI to provide the federal government on the implementation of SCHIP. The Report, covering the federal fiscal year (FFY) October 1, 2003, through September 30, 2004, is a compilation of sources from MRMIB, DHS, and various published studies previously presented to the Board, some of which are attached to the Report. Ms. Tagupa discussed two changes to California's program: (1) effective July 1, 2004, infants born to AIM mothers are automatically enrolled in SCHIP, and (2) SCHIP funding has been extended to the counties of Santa Clara, Alameda, San Francisco, and San Mateo to expand coverage for children. Ms. Tagupa highlighted the more notable information contained in the various sections of the Report. In conclusion, the Administration and the Legislature both continue to strongly support SCHIP, and while enrollment in California has remained constant, many other states have reported a decrease.

Dr. Crowell pointed out that prior reports are on MRMIB's web site at www.mrmib.ca.gov. She requested that the Board be given a presentation on the final PedsQL report in the near future. Chairman Allenby asked if there were any questions or further comments; there were none.

The California Endowment Grant for Review of SED Services

Vallita Lewis began by thanking The California Endowment for providing a grant of \$168,000 to fund an independent evaluation of HFP's mental health and substance abuse treatment services, most particularly services provided to children who are seriously emotionally disturbed (SED). The Board has stressed the need for assurance that these services are being delivered to those who need them. Ms. Lewis discussed the challenges with access and utilization of services. She indicated the project will consist of three phases and gave an overview of each phase.

Dr. Crowell expressed her gratitude to The California Endowment and her eagerness to see the results of a complete study. She pointed out that she has been encouraging counties to use Prop 63 funds for HFP subscribers. Dr. Crowell added that she would like these services to be described as “behavioral health” services. Chairman Allenby asked if there were any questions or comments; there were none.

Note: Due to time constraints, the enrollment and financial reports for AIM and MRMIP were not heard.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Open Enrollment Results

Larry Lucero reviewed some of the more significant results of open enrollment. There were 148 transfers requested resulting in increases in Kaiser North and South by 30 and 33, respectively, and a decrease in Blue Cross by 64. Out of the 8,757 open enrollment packets mailed, 2,005 customer satisfaction surveys were returned. When asked about the service received from their health plan and doctor’s office or clinic, a significant majority of subscribers indicated that their level of satisfaction ranged from satisfied to extremely satisfied; very few indicated they were not satisfied. Under general comments, the most common response was that the subscriber could not afford the premiums.

Dr. Crowell asked for staff’s assessment of how the level of satisfaction in MRMIP compares to HFP. Ms. Cummings replied that the differences between the two programs and the needs of their respective subscribers are not comparable. She pointed out that the survey covered only MRMIP subscribers who are changing plans or leaving the program. Chairman Allenby asked if there were any further questions or comments; there were none.

Before adjourning the meeting, Chairman Allenby requested staff tell Mauricio Leiva, who had to leave the meeting early, that the Board regretted not being able to formally acknowledge Mr. Leiva for his service to MRMIB. Chairman Allenby noted Mr. Leiva’s strong record of accomplishments, particularly in developing and operating rural health demonstration grants.

There being no further business to come before the Board, meeting was adjourned.